Verizon Communications
1300 I Street NW, Suite 400W
Washington, DC 20005

February 25, 2002

Ex Parte

William Caton
Acting Secretary
Federal Communications Commission
445 12th St., S.W. – Portals
Washington, DC 20554

RE: Application by Verizon-New Jersey Inc. for Authorization To Provide In-Region, InterLATA Services in State of New Jersey, Docket No. 01-347

Dear Mr. Caton:

This letter responds to several requests from staff for additional information concerning Verizon's operations support systems (OSS) in New Jersey.

KPMG Test: As Verizon has explained, KPMG's test in New Jersey was modeled after substantially similar tests it conducted in New York, Massachusetts, and Pennsylvania. *See* McLean/Wierzbicki/Webster Decl., ¶ 12. KPMG's third party test of Verizon's OSS in New Jersey thoroughly and extensively tested Verizon's service order processor in New Jersey, as well as the region-wide interfaces, using projected regional order volumes. McLean/Wierzbicki/Webster Reply Declaration, ¶¶ 6-9. In addition, KPMG's test tested Verizon's OSS on an integrated end-to-end basis. *Id.*

As was true in its earlier evaluations of Verizon's OSS, KPMG used both transaction testing and volume testing to evaluate Verizon's New Jersey OSS. *Id.* at ¶ 7. *See also, e.g.,* KPMG (MA) Final Report at 7-8, 15; KPMG (PA) Final Report at 12-13, 267. The volume test was "designed to evaluate the relevant systems, processes and other operational elements" associated with Verizon's pre-order and order processes from the submission of transactions to the creation of service orders in the SOP and return of an order confirmation. KPMG Verizon New Jersey Inc. OSS Evaluation Project, Final Report at 129, 133-134 Version 2.0 (Oct. 12, 2001) ("KPMG Final Report") (App. C, Tab 4 to the initial Application); McLean/Wierzbicki/Webster Reply Declaration, ¶ 9. Thus, during the volume test, the orders were entered into the SOP, and all the systems involved in returning order confirmations, including the SOP, gateway systems, and interfaces, were extensively tested.

The objective of the volume test was to validate the performance of the interfaces and the New Jersey SOP at projected volumes based on regional volume forecasts. *See* Hearing Transcript at 1045-1047 (Nov. 16, 2001) (App. B, Tab 9); McLean/Wierzbicki/Webster Declaration, ¶ 19. Based on historical trends, CLEC forecasts, and Verizon forecasts, KPMG projected "normal" volumes for six months in the future. KPMG Final Report at 133; McLean/Wierzbicki/Webster

Reply Declaration, ¶ 9. KPMG also conducted a "peak" volume test at 150 percent of normal volumes and a "stress" level test at 150 percent to 250 percent of normal volume. KPMG Final Report at 133; McLean/Wierzbicki/Webster Reply Declaration, ¶ 9. The "normal" volume tested by KPMG was the equivalent of submitting 1.3 million orders per month into the New Jersey SOP. This was more than *twice* the actual number of retail and wholesale orders combined processed by the SOP in November 2001. It is clear, therefore, that the New Jersey SOP can handle the projected transaction load. McLean/Wierzbicki/Webster Reply Declaration, ¶ 9.

In addition to the volume test, KPMG performed transaction tests that focused on the end-to-end process for handling orders. As KPMG explained, "[o]ne of the goals of transaction-driven testing was to live the CLEC experience. The fundamental idea was to establish a pseudo-CLEC, and to build and submit both pre-order and order transactions using Verizon NJ's electronic interfaces – much like a real CLEC would do." KPMG Final Report at 18. KPMG's test period ran from September 2000 through July 2001. In order for KPMG (which is not authorized to provide service in New Jersey) to conduct the test, Verizon established a test bed of 1,900 accounts that used over 3,400 telephone numbers against which KPMG could submit transactions and verify results. KPMG used both EDI and the Web GUI to submit transactions. KPMG Final Report at 105-106.

KPMG submitted pre-order transactions to obtain necessary ordering information. McLean/Wierzbicki/Webster Reply Decl. ¶ 8; KPMG Final Report at 105. KPMG then submitted orders, and received and tested the following notifiers: Acknowledgements; Error Messages (ERRs); Local Service Request Local Responses (LSRLRs, also called Local Service Confirmations, or LSCs); Provisioning Completion Messages (PCMs, also called Provisioning Completion Notifiers, or PCNs); and Billing Completion Messages (BCMs, also called Billing Completion Notifiers, or BCNs). KPMG Final Report at 97-114, 132, 233. KPMG verified that the appropriate status notifiers were returned and were accurate. McLean/Wierzbicki/Webster Reply Decl. ¶ 8; KPMG Final Report at 108-114. KPMG then verified that the orders it had submitted were correctly provisioned. McLean/Wierzbicki/Webster Reply Decl. ¶ 8; KPMG Final Report at 225. KPMG also verified that Verizon correctly billed KPMG for the products and services it ordered, and made test calls to verify that usage appeared correctly on both the DUF and the wholesale bill. McLean/Wierzbicki/Webster Reply Decl. ¶ 8; KPMG Final Report at 338-352. Finally, KPMG verified that Verizon's maintenance and repair systems and processes functioned properly by submitting trouble tickets if there was a provisioning problem on the lines KPMG ordered, and by introducing troubles on its lines and then submitting trouble tickets for those troubles. McLean/Wierzbicki/Webster Reply Decl. ¶ 8; KPMG Final Report at 299-304. In short, KPMG used test scenarios that "spanned multiple domains providing an end-to-end test of Verizon NJ's systems and processes." KPMG Final Report at 18.

Relationship of Billing System and SOP: Wholesale billing is a monthly process during which the charges for products and services provided by Verizon to a CLEC are collected, rated, summarized, taxed (as appropriate), output to the billing media (paper or electronic) and sent to the CLEC.

The billing systems that perform these functions (CRIS and CABS) are the same for Pennsylvania and New Jersey. (CRIS bills retail, resale, UNE-P and other UNEs such as 2 and 4

wire loops, while CABS bills access, and the remaining UNEs such as IOF, switching, collocation). *See* McLean/Wierzbicki/Webster Decl. ¶ 108.

The main "inputs" to the monthly bill process are data stored in the billing system on the customer service records (CSRs), and the monthly usage events (*e.g.*, inbound calls, outbound calls, operator assistance)that have been collected by the billing system during the month since the last bill was rendered. Generally speaking, CSRs do not change during the month and the billing system applies monthly recurring charges for the products and services reflected on the CSR. However, if the CLEC establishes an account or makes a change to an account, the CSR will be established/updated as appropriate and non-recurring charges for the new account or, *e.g.*, for a feature that was added to an account may be applied.

The billing software used to collect and process usage events is the same for Pennsylvania and New Jersey, although the physical switches from which the events are collected are, of course, different (Pennsylvania switches located in Pennsylvania, New Jersey switches located in New Jersey). The billing software used to store and update the CSRs is the same for Pennsylvania and New Jersey, although account establishment/updates are applied from service orders that are created from different service order processors (SOP in Pennsylvania, MISOS in New Jersey).

The main "outputs" from the billing function are the daily usage files (DUF), and the monthly billing charges that comprise the carrier's wholesale bill itself. The same software produces the DUF for Pennsylvania and New Jersey. The same software produces the wholesale bills for Pennsylvania and New Jersey. The bill itself is rendered either in a Verizon-proprietary format, generally produced on paper but optionally on CD-ROM, or in an industry standard file format (BOS BDT) that is delivered to the CLEC on tape, cartridge, CD-ROM or via file transfer.

As discussed above, KPMG tested the billing process "end-to-end" in Pennsylvania and again in New Jersey by, among other things, issuing orders that in turn established CSRs, making changes to accounts, and placing calls that generated usage events. KPMG received DUFs and monthly bills (in Verizon proprietary format) and validated the billing charges on the bill consistent with the products and services it had ordered and calls it had made.

PricewaterhouseCoopers (PwC) subsequently performed an attestation of Verizon's management assertions that the BOS BDT formatted bills matched the paper bill and were internally consistent, and that Verizon produced the bills on time.

The issues raised by CLECs with respect to the billing systems in Pennsylvania and, to a much lesser extent, in New Jersey generally concerned the mapping of the bill into the industry-standard BOS BDT format. The same billing software performs the function of mapping the various billing charges that constitute "the bill" into the BOS BDT format for Pennsylvania and New Jersey.

February 2000 New York Notifier Issue: The "New York notifier issue" that affected Verizon (then Bell Atlantic) in early 2000 involved complaints by some CLECs that Verizon's systems were not returning electronic status notifiers to the CLECs on a timely basis when CLECs placed orders for UNEs with Verizon using the EDI interface. As discussed above, the electronic notifiers are: acknowledgement of receipt (ACK), local service confirmation (LSC) or error

message (ERR), provisioning completion notice (PCN), and billing completion notice (BCN). The early 2000 notifier issue primarily involved missing acknowledgements – that is, the very first notifier in the ordering sequence, which informs a CLEC that its order has been received, was not always being returned to CLECs.

Verizon conducted a thorough investigation and determined that certain third-party vendor software used in the EDI ordering interface caused some notifiers to be delayed or not sent. Verizon's investigation also showed that, even when an acknowledgement was missing, in virtually all cases, Verizon had actually received and processed the order. For the months of November 1999 through January 2000, Verizon processed over 750,000 local service requests for competitors in New York and, as Attachment 1 shows, competition in New York increased steadily during this period and subsequently. Moreover, contrary to AT&T's fearmongering (*see* Kirchberger/Nurse/Kamal Decl. at ¶25 ("the New York OSS hemorrhaged"), in fewer than 2.5% of the cases, Verizon had no record of receiving the order, and asked the CLEC to resubmit the order. *See* Attachment 2. It was clear, therefore, that the problem was with the software in the EDI interface – there was no issue with systems further downstream such as the service order processor or the billing systems.

To resolve this issue, Verizon's own Information Technology team developed, tested, and installed alternative software to replace the third-party vendor software in the EDI interface. This Verizon-developed software (called "Netlink") was installed in the EDI interface in the former Bell Atlantic North states in late February 2000, initially for LSOG 2. With the introduction of LSOG 4 in March 2000, the pre-order and order interfaces provided to CLECs by Verizon, including the EDI interface using Netlink, were made common throughout the former Bell Atlantic service areas. That is to say, there is one set of pre-order and ordering interfaces serving the entire 14-state former Bell Atlantic footprint, so all CLECs using EDI in any former Bell Atlantic service area, including New Jersey, benefited from the new software.

As the Commission is aware, on March 9, 2000, Verizon entered into a Consent Decree with the Commission which required Verizon to provide weekly performance reports to the Commission for five measurements that focused on aspects of the notifier issue and that required Verizon to meet stringent performance standards before the decree would terminate. Verizon provided performance reports for seven weeks, which showed that Verizon's performance with the new software was excellent. On June 20, 2000, the Commission confirmed that Verizon had met the requirements of the Consent Decree and that "Bell Atlantic's obligations under the Consent Decree have terminated." According to the Commission's News Release, "The evidence indicates that there have been substantial improvements in the performance of Bell Atlantic's operations support systems since the adoption of the consent decree, and that Bell Atlantic's systems are performing within standards set forth in the consent decree."

BOS BDT as the Bill of Record: Making a particular billing medium and format available to CLECs as a "bill of record" means that the CLEC can elect to use that medium/format as its official bill for purposes of rendering payment to Verizon and, if the CLEC feels it necessary, disputing charges that appear on the bill. It is Verizon's policy, before it makes the BOS BDT electronic bill format available as the bill of record in a particular state, to make sure that the BOS BDT is accurate, that it balances (in other words, that it is internally consistent), and that CLECs can validate the charges appearing on the bill.

While many products and services offered by Verizon are common between New Jersey and Pennsylvania, there may be state-specific USOCs and rates for those products and services. In addition, there are some state-specific products – primarily local calling plans – that have been introduced over time to meet the individual needs and desires of the particular customers in the state and the state commission.

Before offering BOS DBT as the bill of record, Verizon subjected production bills to a new quality assurance process. The process assures that the BOS BDT bill matches the paper bill and is internally consistent. If necessary, manual corrections in the form of records inserted in the Other Credit and Charges section are made to the BOS BDT. This process became effective for Pennsylvania in May 2001. Verizon enhanced the quality assurance process by automating substantial portions of the process during the June and July. The enhanced process was rolled out in New Jersey effective with the August 1st bill cycle. As Pennsylvania and New Jersey bills are processed by the same billing system, system corrections made for Pennsylvania were also effective for New Jersey. Upon implementation of the process for New Jersey in August, Verizon detected several conditions related to New Jersey-specific products that needed to be fixed before offering the BOS BDT as the bill of record in New Jersey. These issues were corrected by September 1, 2001. These issues included the proper mapping of message unit/local usage details (completed on 9/1/01), the proper mapping of New Jersey Optional Call Plan usage for larger users (completed on 8/24/01), and the proper mapping of alternatively billed calls (also completed on 8/24/01).

On August 29, Verizon announced to CLECs that the BOS BDT would be available as the bill of record in New Jersey for bill periods with a full month of usage after September 1. *See id.* at ¶ 114. Verizon also engaged PwC to conduct two reviews of the New Jersey production BOS BDT bills for CLECs in September 2001. *Id.* at ¶ 115. The New Jersey BPU, based on "commercial data presented by Verizon, the general absence of specific CLEC claims of flaws in [the BOS BDT], and the independent third party reviews conducted by PricewaterhouseCoopers," found that Verizon's BOS BDT in New Jersey meets the standards for section 271 billing compliance. Consultative Report at 40.

The twenty-page limit does not apply as set forth in DA 01-2746. If you have any questions, please do not hesitate to call me.

Sincerely,

Clint E. Odom

Attachments

cc: A. Johns
J. Miller
B. Olson
S. Pie

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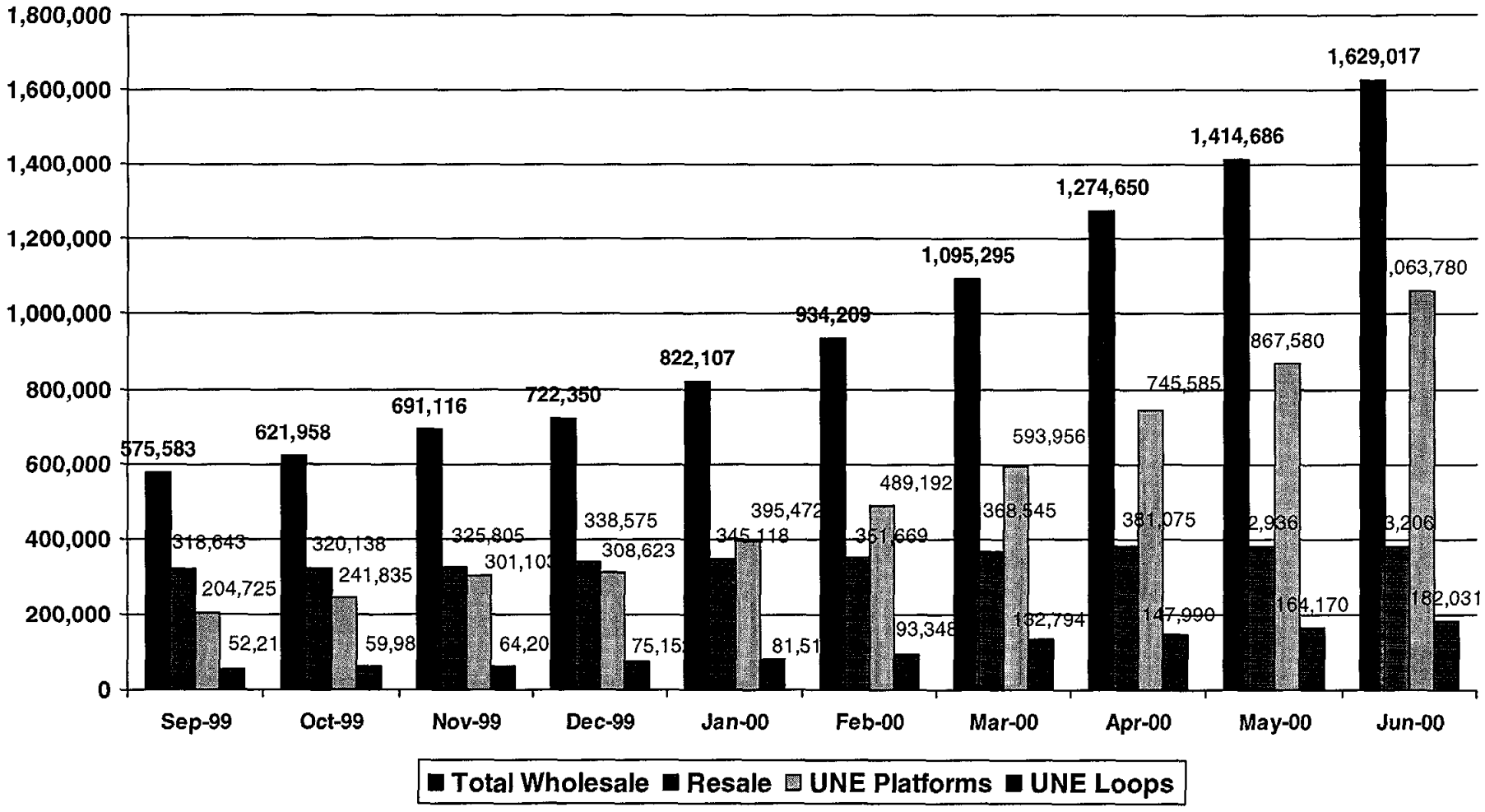
New York Wholesale Volumes In-Service
September 1999 - June 2000



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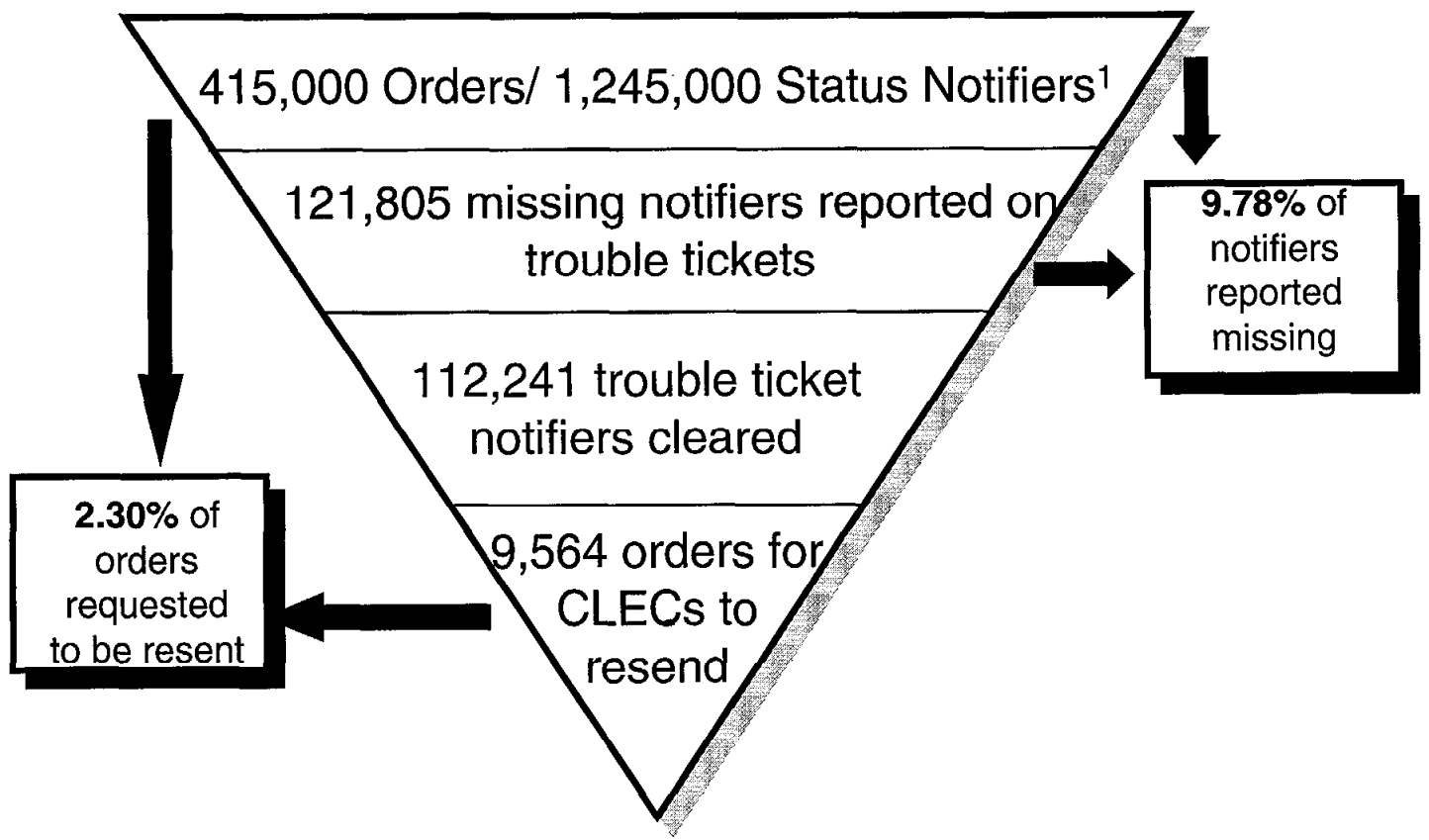
Verizon's NY Notifier issue was resolved in early 2000.

NY Electronic Notifiers
January 1 - February 11, 2000



[1] based on an average of 3 notifiers per order